

## Order execution on best terms

### Summary of analysis of execution quality achieved in 2020

In accordance with Directive 2014/65/EU and the regulations implementing and transposing it (MIFID II), Mediobanca has published the following information on its website:

- i) On 19 April 2021 its updated Order Transmission and Execution Strategy, which defines the measures adopted to obtain the best possible result for its clients orders; and
- ii) On 30 April 2021 the reports on: its top five execution venues by trading volumes at which it executed its clients' orders last year; its five top investment firms by trading to which it transmitted client orders last year, and the top five counterparties via which it executed client orders last year through the request for quote (RFQ) system made available by the trading venues.

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This document contains an assessment made by Mediobanca of the quality of the execution achieved at the venues where its clients' orders were executed in 2020, and is to be read in conjunction with the reports referred to above.

#### 1. Execution factors relative to client classification

Mediobanca has followed the importance assigned to the execution factors defined in the Strategy adopted in 2020, namely:

- price of financial instrument
- costs of execution
- speed of execution
- probability of execution and settlement
- size of order
- nature of order
- other characteristics of the order relevant to its execution

Mediobanca has considered the "total amount" (which consists of the "price" of the instrument and the "cost of execution") to be the principal factor in determining the best result possible in the execution of orders submitted by clients classified as "retail".

The Bank has also considered "speed of execution" and "probability of execution and settlement" as factors which could take priority over the "total consideration" to establish the best result possible in the execution of orders classified as "professional".

For retail clients a dynamic execution strategy has been adopted which entails systematic and exclusive access to execution venues that guarantee pre-trade transparency, except for those retail clients that have expressly requested a static execution strategy to be applied.

For professional clients, a dynamic execution strategy has been adopted which entails access also to execution venues which operate in exemption to pre-trade transparency obligations (i.e. "reference price waiver"), except for those clients that have expressly requested a dynamic execution strategy to be applied that entails systematic and exclusive access to execution venues that guarantee pre-trade transparency.

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For each of the classes of financial instruments traded in 2020, the orders were executed and/or transmitted in accordance with the criteria set in the Strategy implemented by the Bank in the course of the year.

## **2. Conflicts of interest**

Mediobanca does not have any close links or cross-ownership arrangements with the execution venues which it used in 2020 to execute its clients orders, nor has it entered into any specific agreements with such venues regarding payments made or received, or regarding discounts, reductions or non-monetary benefits obtained outside of the standard terms and conditions. Mediobanca pays the brokers selected by it the commissions finalized with them and does not accept incentives from such brokers.

The roles played by Mediobanca on the various markets where its clients' orders were executed in 2020 are also shown below:

- EUROTXX: specialist in debt instruments and liquidity provider in certificates and credit certificates;
- MOT, Borsa Italiana: specialist in debt instruments and liquidity provider in equity linked notes;
- IDEM, Borsa Italiana: market maker in equity derivative instruments (options on shares);
- MTA, Borsa Italiana: liquidity provider and specialist in shares;
- AIM, Borsa Italiana: specialist in shares;
- EUREX: market maker in equity derivative instruments.

## **3. Order transmission and execution strategy**

Mediobanca has recently made changes to its Order Execution and Transmission Strategy to:

- update the list of execution venues to which Mediobanca has direct or indirect access (also including the relevant MIC codes, for more precise identification of such venues);
- update the list of brokers, provide more information on the criteria identified for their use and the venues to which they give access;
- specify that the transmission of orders to brokers from Mediobanca's clients on US and Canadian markets is handled by Mediobanca Securities USA (a subsidiary of Mediobanca SpA) outside the working hours of Mediobanca or its UK branch;
- clarify that care orders may be executed directly on the venue (through Iceberg orders or allocation of part of the order in the opening or closing auction) if it is deemed to obtain the best execution for clients.

The modified Order Execution and Transmission Strategy was published on Mediobanca's website on 19 April 2021.

## **4. Summary of leading trading venues, by class of financial instrument (2020)**

The leading trading venue at which the Bank executed its clients' orders via direct access (by class of instrument) in 2020 is shown below.

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- i) Equity financial instruments – shares and certificates
  - MTA Borsa Italiana S.p.A. (both for clients classified as retail and professional)
- ii) Debt instruments – bonds
  - Bloomberg MTF (both for clients classified as retail and professional)
- iii) Debt instruments – money market instruments
  - MOT (for clients classified as retail)
  - Bloomberg MTF (for clients classified as professional)
- iv) Structured financial instruments
  - EuroTLX (for clients classified as retail)
  - Sedex (for clients classified as professional)
- v) Securitized derivative financial instruments – warrants and derivatives in the form of certificates
  - Sedex (for clients classified as retail)
  - AIM, Borsa Italiana S.p.A. (for clients classified as professional)
- vi) Securitized derivative financial instruments – other securitized derivatives
  - AIM, Borsa Italiana S.p.A. (for clients classified as retail)
  - MTA, Borsa Italiana S.p.A. (for clients classified as professional)
- vii) Listed indexed products (ETF funds, ETN notes, ETC commodities)
  - ETF Plus, Borsa Italiana S.p.A. (both for clients classified as retail and professional)
- viii) other instruments
  - AIM, Borsa Italiana S.p.A. (both for clients classified as retail and professional)

## **5. Explanation of the means by which the Bank has used data published by the execution according to Commission Delegated Regulation (EU) 2017/575 in order to revise the Strategy**

For the debt instrument class (bonds), for which Mediobanca applies an internal dynamic best execution model: Mediobanca, in order to assess the quality of execution at the venues where it executed the clients orders, has developed synthetic indicators of price, probability and speed of execution, and based on the indicators compiled, has defined a ranking for the principal domestic trading venues. The sample analysis confirmed MOT as the domestic trading venue having the highest ranking<sup>1</sup>. From 1 January 2021, as a result of the reorganisation of markets following the incorporation of the EuroTLX market into Borsa Italiana, Mediobanca will no longer be able to trade bonds on more than one venue to which it has direct access. In order to ensure dynamic best execution, it was therefore decided to introduce a new domestic market, the HI-MTF, which is still in the activation phase.

For the equity/equity-like class, for which Mediobanca uses the authorized broker's dynamic best execution model, Mediobanca has verified: the controls conducted by the leading broker (Instinet) on the efficiency of its order execution and transmission strategy; the quality of order execution obtained by the broker, through sample checks. The analysis performed has confirmed overall the effectiveness of the execution quality achieved by Instinet.

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<sup>1</sup> The control has been carried out on the domestic trading venues Mot, ExtraMOT e EuroTLX, on a sample basis, on data July – December 2020.

## 6. Order execution using a trading venue's request for quote (RFQ) system

In 2020 Mediobanca also executed client orders using the Bloomberg MTF request for quote (RFQ) system with the five leading counterparties stated in the relevant report, broken down by classes of financial instruments and client classification.

Mediobanca does not have close links or conflicts of interest with any of the parties included in this report and listed below. In the normal course of the exercise of its business, Mediobanca may have provided, or may provide, principal and/or accessory investment services to these counterparties and/or hold positions in instruments issued by them.

- BARCLAYS BANK IRELAND PUBLIC LIMITED COMPANY- 2G5BKIC2CB69PRJH1W31
- BNP PARIBAS S.A. - R0MUWSFPU8MPRO8K5P83
- CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK - 1VUV7VQFKUOQSJ21A208
- CREDIT SUISSE SECURITIES (EUROPE) LIMITED - DL6FFRRLF74S01HE2M14
- Flow Traders B.V. - 549300CLJI9XDH12XV51
- INTESA SANPAOLO S.p.A. - 2W8N8UU78PMDQKZENC08
- JANE STREET FINANCIAL LIMITED - 549300ZHEHX8M31RP142
- J.P. Morgan AG - 549300ZK53CNGEEI6A29
- MERRILL LYNCH INTERNATIONAL - GGDZP1UYGU9STUHRDP48
- Morgan Stanley Europe SE - 54930056FHWP7GIWYY08
- Optiver V.O.F. - 7245009KRYSA2B2QCC29
- Susquehanna International Securities Limited - 635400IAV22ZOU1NFS89
- SOCIETE GENERALE - O2RNE8IBXP4R0TD8PU41
- THE TORONTO-DOMINION BANK - PT3QB789TSUIDF371261
- UBS AG - BFM8T61CT2L1QCEMIK50
- VIRTU FINANCIAL, INC. - 5493001OPW2K42CH3884